

MONTANA BOARD OF HOUSING

301 S Park Ave, Room 226

Helena MT 59601

January 10, 2006

ROLL CALL OF BOARD

MEMBERS: Bob Thomas, Chairman (Present)
Judy Glendenning, Vice Chairman (Present)
J.P. Crowley, Secretary (Present)
Susan Moyer (Present)
Audrey Black Eagle (Absent)
Jeff Rupp (Present)
Betsy Scanlin (Via Teleconference)

STAFF: Bruce Brensdal, Executive Director
Gerald Watne, Multifamily Program
Jeannie Huntley, Promotions Manager
Chuck Nemec, Accounting & Finance Manager
Vicki Bauer, Assistant Accounting & Finance Manager
Nancy Leifer, Homeownership Program Manager
Jeannene Maas, Homeownership Program Specialist
Sandi Conrady, Homeownership Program Specialist
Diana Hall, Administrative Assistant

COUNSEL: Pat Melby, Luxan and Murfitt

UNDERWRITERS: Peter Nolden, UBS Financial
Gordon Hoven, Piper Jaffray

OTHERS: Beth Seville, GK Baum
Kelly Bailey, Wells Fargo Home Mortgage
Cindy Donnell, USDA Rural Development
Jerilee Brooks, Fannie Mae
Sheila Rice, NHS/MHN
Susan McCord, Habitat for Humanity, Great Falls
Dave Chrismon, Habitat for Humanity, Missoula
Delrene Rasmussen, Board of Investments
Herb Kulow, Board of Investments
Henry Burgwyn, The Burgwyn Co. – Fraser Tower

CALL MEETING TO ORDER & APPROVAL OF MINUTES

Chairman Bob Thomas called the meeting to order at 8:30 a.m. Judy Glendenning moved to approve the November 21, 2005 Board minutes as corrected. J P Crowley seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

PUBLIC COMMENTS

Mr. Thomas asked the Board, staff, and guests to introduce themselves. Delrene Rasmussen from the Board of Investments acknowledged the help they received from Montana Board of Housing (MBOH) staff during the conversion of residential loans to MBOH for accounting and processing. Herb Kulow said the transition has gone smoothly and efficiently and they saw no reason to have duplication of service, which doubles the cost when MBOH has the equipment and expertise. Bruce thanked Herb and Delrene for the partnership.

SINGLE FAMILY PROGRAM

Nancy Leifer gave an update on the Bridge Program and gave projections for the upcoming year. The Bridge program has about \$9,700,000 committed in loans. Interest rates have been on a downward trend. Nancy analyzed the past four years and projected a \$50 million bond issue would carry MBOH into July. Peter Nolden presented a chart showing the 10-year Treasury rates since January 1, 2005. He suggested a new bond issue of not more than \$50 million of lendable proceeds. Peter said the proposed time schedule would be to distribute the Preliminary Official Statement on January 17, retail and pricing of bonds on January 23 and 24, formal award on January 25, and Pre-closing and closing on March 7-8, 2006. There are several states selling this week. The AMT 30-year bonds will be under 5%. The Board gave their consensus to proceed with a new bond issue on \$50 million lendable proceeds. Judy Glendenning commented that the real estate market did not slow down much through the holidays.

PROMOTIONAL PROGRAM

Jeannie Huntley presented a picture of the Board. She handed out the Annual Reports for 2005. Jeannie gave the Housing Division highlights for the months of November and December.

Jeannie gave the updated quarterly strategic plan. The general goals are the same, but the tactics change over the quarter.

The Montana House promotional approach is being revamped. Bruce gave an update on the individual houses being built. The Blackfeet Housing Authority has also expressed interest in the Program. Jeff asked about the possibility of different models? The Job Corps is working at capacity and other plans are a possible option, but we need to consider competing with the manufactured housing industry.

Bruce said the Teacher's Program is up and running in Ravalli County. It could be a model for other counties.

Jeannie presented a paper on the Limited Equity Housing Cooperative Development. A group is meeting to investigate the possibilities and option. Judy mentioned that some of the senior citizens

and handicapped individuals have a need for affordable manufactured mobile homes in a park and asked about co-ops for the park. The Board would like an information resource on who to contact.

MULTIFAMILY PROGRAM

Gerald Watne said there will be an Open House at Orchard Gardens in Missoula on the January 27th and McClay Commons will have an Open House on the 31st.

He presented a list of Reverse Annuity Mortgages (RAM). Gerald said there were 3 RAM loans this month that were approved without exceptions. The Governor's program on Warm Homes, Warm Hearts generated some interest in the RAM Program and it is listed as a link on the state web page. Gerald is working on some public service announcements to generate more interest in the RAM Program.

The Low Income Housing Tax Credit (LIHTC) round for applications closes January 20th. There will probably be 12 applications with over \$4 million in requests.

Gerald said the Fraser Tower Conduit Deal in Billings is for a \$2.3 million Tax Credit bond for an elderly, acquisition rehab project. The Tefra Hearing was held November 15th in Billings. Henry Burgwyn explained the plans for the project and will apply for an energy conservation program. They will maintain the current management company and extend the Section 8 contract for 20 years. Judy Glendenning moved to approve the conduit tax exempt financing for the long-term permanent mortgage and also for 4% tax credits. Betsy Scanlin seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

ACCOUNTING PROGRAM

Chuck Nemec presented the Budget Report as of November 30, 2005. MBOH has spent 28% of the budget with 58% of the fiscal year remaining. Jeff requested the revenue breakdown along with the expenses. Bruce said we will have a work session after the next meeting in Bozeman to give a more detailed look at financials. Chuck explained the Average Yield Report and the Diversification Report.

SINGLE FAMILY PROGRAM (continued)

Nancy Leifer, Becky Johnson, and Joice Franzen gave an update on the Servicer reviews. Becky and Joice are MBOH Accounting Technicians and do field visits to the Servicers to train and audit them. Bruce praised Becky and Joice for not only identifying problems, but also teaching and training the Servicers to help them fix any problems. Judy Glendenning moved to have Auditors visit Heritage Bank and Wells Fargo as the MBOH selections and have the Legislative Auditors select one from the list of the three not visited recently, and then randomly select another Servicer to audit. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Nancy introduced Kelly Bailey who is the new in-state representative from Wells Fargo who will be the liaison for MBOH loans.

Nancy announced that the MBOH purchase price limits have increased per the directive to keep with the FHA limits. The purchase price limit for existing houses is: \$200,160. The purchase price for new construction is: \$237,031. Lenders appreciate that MBOH is offering PMI loans insured by Genworth. Genworth charges 20 basis points for monthly MIP for manufactured homes. They have agreed to drop the surcharge if MBOH can give them data that manufactured homes do not cause any problems for foreclosure and delinquency.

Nancy presented the Real Estate Owned (REO) report showing one property listed. It is almost ready to put back on the market.

The quarterly delinquency report shows MBOH has lower rates of delinquencies and foreclosures than Montana, the Mountain region, and the nation. Nancy attributed that to knowing our people, Servicers do a great job, our staff person works well with all concerned, and also MBOH works well with the non-profits and helps with homebuyer education. The delinquency analysis shows the loans serviced, delinquent, and the percentage by Servicer, County, Setaside, and Loan Type. Jeff Rupp asked staff to further analyze the data for Gallatin County to shed light on why Gallatin county has a higher delinquency rate.

The Mortgage Credit Certificate (MCC) summary report shows that 50 certificates were issued through the three years of the program. The average income was under \$40,000 compared to the average income of the regular program at \$37,000. The average purchase price of the MCC Program was \$128,000 while the regular program had an average of \$106,461. These data indicate that it reaches a different sector of the market. The new Program will start January 25th, has \$1.25 million of tax credits and will extend to the end of 2008.

The 2005 A bond issue has been completely committed. New loans are coming in consistently into the bridge program for the next bond issue.

Nancy presented a draft of Guidelines for a Deep Equity Program for loans with less than 80% loan to value that no longer need private mortgage insurance. An analysis of the six loans received so far indicate that borrowers incomes range from \$19,200 to \$31,200, and average \$25,540 which is less than the average in the setaside programs. Most of these borrowers have cash available on a one-time basis, but not a substantial monthly income. Proposed requirements for the program include homebuyer education and a signed Authorization for Early Delinquency Counseling. Also, MBOH would have the option of requiring a home inspection. Jeff Rupp moved to accept the Deep Equity Program with the proposed guidelines. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously. Judy Glendenning moved to adopt the Authorization for Counseling Form for all MBOH loans. J. P. Crowley seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Nancy gave the Board a draft of guidelines for borrowers who trigger repeated foreclosure episodes. Pat Melby, who is MBOH's legal counsel, said State law requires a lender to accept payments to make a loan current and stop foreclosure. Nancy outlined the procedures that are followed for each episode of foreclosure. Most repeat offenders have sporadic or fluctuating incomes. Nancy proposed some sort of confirmation in writing regarding the validity of funds before allowing a 15-day delay to the Trustee's Sale.

The recycled setaside summary shows \$27,966,686 committed to setasides. Nancy requested \$1 million for the Disabled Accessible Homeownership Program (DAAHP). Five loans were made in the past year with an average income of under \$20,000 and the average loan amount was \$89,000. Nancy also requested \$1 million for the First-time Homebuyer Savings Account Program (FTHB). This Program is primarily used with Homestart funds. Last year MBOH did 29 loans in the FTHB program with an average income of \$30,000 and average loan amount of \$92,000. J P Crowley moved to add \$1 million to each of the DAAHP and FTHB Programs. Judy Glendenning seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Nancy introduced Dave Chrismon from the Missoula Habitat for Humanity who gave a report on how MBOH funds help that Program. Susan McCord of the Habitat for Humanity in Great Falls also expressed her appreciation for MBOH. Sheila Rice of the Montana Homeownership Network gave a financial report on the Homebuyer Education and Counseling grant.

DIRECTOR'S UPDATE

Bruce Brensdal handed out a sheet giving the current structure of the Investment Banking team and gave the history of his experience with them. The lead manager is UBS Financial Services and has done a great job. MBOH expects the co-managers to participate and also to have a Montana presence. Bruce will provide more information and data on past issues and the function and performance of existing co-managers at the next meeting. Other investors are interested in being a part of the team. The Board expressed that the current managers should give reports on the job that they do and that the interested investors would need to prove they could do a better job than the current managers.

The Housing Resource Focus Group has their mission defined and are identifying possible resources for housing on the state level.

The next meeting is scheduled for February 13, 2006 in Bozeman. Meetings are tentatively planned for. March 20th in Helena, April 10th, May 8th, June 6th, and July 10.

The meeting adjourned at 12:35 p.m.

J. P. Crowley, Secretary

Date